

ARTICLE – Changes in the LFS and the Riksbank's analysis of the labour market

As part of its efforts to harmonise statistics, the EU has decided on a new legal framework for labour market statistics that shall be implemented as of 1 January 2021.³⁵ This implies changes in the labour force survey (LFS), which will make it more difficult to interpret the Swedish labour market statistics in the coming year. For example, the new, narrower definition of the number of persons employed means a break in the time series when the outcome for January is published. Statistics Sweden estimates that around 30,000 fewer persons will be defined as employed.

The Riksbank's forecasts of labour market developments will continue to be based on the LFS, as this is the official labour market statistic. But data from other sources of statistics will play a greater role, especially in 2021. While awaiting the publication of the LFS for January, the forecasts in this report are based on the earlier statistics and therefore do not attempt to capture the expected shift in level or changes that can be linked to the changes in the statistics.

Changes in the Labour Force Survey LFS

The Labour Force Survey (LFS) is the official labour market statistics in Sweden and the way the surveys is carried out is governed by international resolutions and regulations. The surveys is carried out in all EU countries and to ensure the statistics are comparable, the EU endeavours to harmonise their production as far as possible. In 2019, the European Parliament decided on a new legal framework for labour market statistics to be applied in all EU countries from 1 January 2021.

Fewer in employment with narrower definition, but unclear how far unemployment will be affected

The new legal framework is leading to several changes in the LFS. Among other things, a narrower definition of who is employed is being introduced, along with a clarification of the term "active job seeker". In addition, the target population is being increased from 15–74 to 15–89 years of age.³⁶ The narrower definition of who is in employment concerns those who are temporarily absent from work. After the changes,

³⁵ A legal framework describes basic principles, guidelines and overall objectives without regulating in detail.

³⁶ However, Statistics Sweden will continue to report statistics for 15-74 years of age, which will also continue to be the group for which the Riksbank makes forecasts.

individuals with certain types of absence, where the expected period of absence is three months or more, will no longer be defined as employed. Among other things, this applies to persons who have taken an unpaid leave of absence to study, those on uncompensated parental leave and those who are entirely absent due to redundancy. In 2020, Statistics Sweden used supplementary questions to carry out an initial analysis of the effects of the change in definition, and estimates that about 30,000 fewer people will be defined as employed after the changes.³⁷ Many of these will probably be classified as being outside the labour force and unemployment will thereby not be affected to such a great extent.

Another change concerns the matter of unemployment. In the present survey, respondents are asked, “have you been **seeking employment** in the last 4 weeks?” This wording now being changed to “have you been **searching for employment** in the last 4 weeks?”, which makes the concept broader translated into Swedish. If the respondent answers yes to the question, this is currently followed up by an open question on how they have done this. Going forward, the interviewer will instead ask about concrete ways of searching, for example whether the respondent has looked at job advertisements, updated his or her CV online or asked friends and acquaintances about job vacancies. It is unclear what the consequences will be for the number of unemployed. The reformulation of the question could lead to more interviewees responding that they have looked for or tried to find work, at the same time as the more precise categories for looking for work may reduce the number of those classified as actively looking.

Break in time series managed with double measurement and model estimates

The changes are leading to a time series break in the LFS that means that data in 2021 will not be comparable with previous years. Statistics Sweden has chosen to manage the break in the time series with a combination of double measurement and model estimates. From January to September 2021, 80 per cent of the sample in the LFS will be collected using a new questionnaire that has been adapted to the new framework law and the remaining 20 per cent of the sample will be collected using the earlier questionnaire.³⁸ Double measurements will be needed for some time, to ensure that estimates of the time series break can give reliable results and, not least, to allow seasonal effects to be assessed. It will be some time before Statistics Sweden will be able to make a statement on the magnitude of the break with any precision. At the end of 2021, Statistics Sweden will publish linked time series going back to 2009.

³⁷ <https://www.scb.se/contentassets/6bfa8415fb004be7af3de325644cabb8/inforande-av-ramlagen-i-aku-2021.pdf>

³⁸ Every month, 18,200 people are interviewed for the LFS and the drop-off rate is currently about 50 per cent. This means that probably about 1,800 people will answer the old survey every month.

Changes make it difficult to analyse labour market

As the LFS provides the official labour market statistics, the Riksbank will also continue to make forecasts of development according to the LFS. However, it will become more difficult to analyse how the labour market develops in 2021 as it will not be possible to know, in the near term, whether developments according to the LFS are due to the changes of the survey or actual labour market changes. It is important that the statistics are harmonised to enable comparison of development in different countries. But it is particularly unfortunate that the LFS will become less reliable during a period when it is important to be able to monitor and assess whether and how rapidly the economy is recovering in the wake of the corona crisis. The Riksbank's assessment of the labour market situation is always based on an aggregate of information from different sources and indicators. However, when uncertainty is higher in the LFS, as it will be in 2021, the analysis needs to be based on other sources to a higher degree, both to gain an understanding of the actual development of the labour market and to make forecasts.

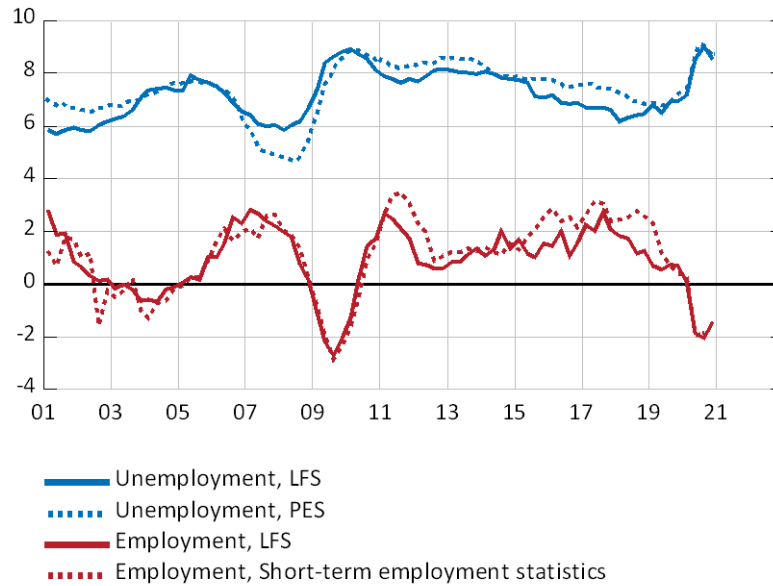
An alternative source for the development of unemployment is the Swedish Public Employment Service register data, and an alternative source for the development of employment is the short-term employment statistics (KS).³⁹ Periodically, these sources have shown differences, but the changes over time have coincided relatively well (see Figure 61). However, the KS is published with a relatively long time lag, which makes it less relevant in forecasting work, but they can still be used to check the actual development of employment afterwards. A number of different indicators can be used to assess the development of the labour market in the near future. For example, recruitment plans according to the Economic Tendency Survey are usually a good indicator of employment growth, and the number of redundancy notices is a good indicator of the development of unemployment.

As a result of the changes in the LFS, labour market forecasts will become more uncertain. Alternative sources of statistics to the LFS will play a more important role than normal in understanding what actually happens on the labour market in 2021, when the economic recovery is expected to continue.

³⁹ There are, however, differences between the sources. For instance, Arbetsförmedlingen's statistics only capture those who are registered at Arbetsförmedlingen and are between the ages of 18–64, while the LFS captures all registered as resident in Sweden between the ages of 15–74. The KS statistics measure the number of people employed, while the LFS statistics also included self-employed people.

Figure 61. Unemployment and employment according to different measures

Per cent of labour force and annual percentage change. Unemployment refers to seasonally adjusted data



Note. LFS refers to the 15–74 age group and unemployment according to Swedish Public Employment Service refers to the 16–64 age group. Short-term employment statistics refer to all employees.

Sources: Statistics Sweden and Swedish Public Employment Service.